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File ANNUAL REPORT
Allarco Developments Ltd. 1977
CHARLES A. ALLARD

divisions of allarco developments ltd.

(Ownership position is 100%
except as noted.)

RESTAURANTS

Oliver's, Edmonton, Winnipeg,
Calgary
Beachcomber, Edmonton, Victoria
Steak Loft, Edmonton
Lucifer's, Calgary, Edmonton

HOTELS

Peter Pond Hotel, Fort McMurray,
Alberta
Pine Point Hotel (50%) Pine Point,
N.W.T.

AUTOMOTIVE DIVISION

Edmonton
Crosstown Motor City
Devonian Motors
Mansion Mobile Homes
Edmonton Van Specialties Ltd.
Crosstown Leasing

FINANCIAL

Allarco Financial Corporation Ltd.
North West Trust Company (64%)
N.A. Properties Ltd. (64%)
People's Management Ltd.
(Manager of The Dominion
Compound Fund)
Seaboard Life Insurance Company
(65%)
Travelers Acceptance
Corporation Ltd. (Alberta) (50%)

CONSTRUCTION

Redden Construction Ltd. (55%)
Citation Construction Ltd. (55%)

AVIATION

International Jet Air Ltd.

OTHER DIVISIONS

Printing
Metropolitan Printing, Edmonton
Metro Forms, Edmonton

Farm Division
Falher, Alberta

Television
Edmonton Video Ltd. - C.I.T.V.
North West Video

Travel
Travelmasters Edmonton Ltd.
(60%)
North West Travel (60%)
North West Tours (60%)

AFFILIATED COMPANIES

Alberta Gas Chemicals Ltd. (50%)
Alberta Gas Chemicals Inc. (50%)
Parkland Nursing Homes Ltd.
(40%)
Matrix Exploration Ltd. (34%)
Pine Point Shopping Center Ltd.
(50%)

REAL ESTATE

Rental Properties

Edmonton
Grandin Towers
Regency Towers
Crestview Towers
Oliver Place
Bristol Towers
Cambrian Building
Riviera Plaza

Calgary
Regency House

Victoria
Regency Towers
Charter House (55%)

Winnipeg
Chamber of Commerce Buildings

Lethbridge, Alberta
College Mall (64%)

Fort McMurray, Alberta
Peter Pond Shopping Centre

Yorkton, Saskatchewan
Parkland Mall (64%)

Vancouver, B.C.
Avord Building (64%)

Land for Development

Alberta
Edmonton
St. Albert
Fort McMurray
Red Deer
Medicine Hat
Fort Saskatchewan

Ontario
Hamilton/Ancaster (35%)

Other
Puerto Vallarta, Mexico
Las Vegas, Nevada (50%)

historic review

(In Thousands)*	Year to December				Fourteen Months Dec.		Year to October		
	1977	1976	1975	1974	1973	1972	1971	1970	1969
Sales*	\$83,998	77,357	62,593	59,327	47,533	51,949	38,939	38,191	28,910
Operating profit*	\$ 7,089	4,136	3,025	1,482	998	1,281	439	960	538
Gain (or loss) on disposal of fixed assets and investments*	\$ 21	820	282	7	1,666	2,279	(971)	-	-
Net profit (loss) for the period*	\$ 7,110	4,956	3,307	1,489	2,664	3,560	(530)	960	538
Operating profit per share	\$ 4.61	2.99	2.19	1.07	.72	.95	.33	.74	.47
Net profit (loss) per share	4.62	3.58	2.39	1.08	1.93	2.63	(.19)	.74	.74
Average shares outstanding*	1,538	1,384	1,381	1,380	1,380	1,379	1,329	1,306	1,146
Shareholders' equity*	\$33,318	22,404	17,417	14,108	12,616	9,949	6,168	6,540	5,446



11456 Jasper Avenue
Edmonton, Alberta.

report to the shareholders



On behalf of the Board of Directors of Allarco Developments Ltd. I am pleased to present the 1977 Annual Report. Net profit for the year amounted to \$7,110,000 compared to a 1976 net profit of \$4,956,000. Total sales increased from \$77 million to \$84 million while consolidated assets increased from \$110,000,000 to \$134,000,000. Shareholders' equity increased from \$22,405,000 in 1976 to \$33,318,000 in 1977. Despite the additional shares issued upon conversion of the outstanding sinking fund debentures the earnings per share calculated on average shares outstanding as in past years increased from \$3.58 per share to \$4.62 per share. Perhaps the most meaningful earnings per share figure is reflected by the fully diluted earnings which increased to \$4.62 for 1977 from \$3.03 in 1976. At December 31, 1977 there were no further shares to be issued which would dilute earnings. The call of the convertible debentures during the year resulted in the issuance of an additional 239,525 shares bringing the total outstanding shares at December 31, 1977 to 1,645,978 shares.

REAL ESTATE DIVISION

Property rentals again showed improved results over the preceding year as more properties were developed and brought to market. Several commercial properties reflected their first full year of operation.

Net income from land sales increased over 1976 due in part to the sale of a one half interest in 366 acres of undeveloped land in South Edmonton. This was an installment sale and consequently only a proportionate share of the income has been reflected in 1977.

At December 31, 1977 there was a balance of \$12,695,000 in deferred revenue which principally comprises income on installment land sales and will be recognized as income when the payments are collected.

During 1977 additional lands were acquired in Edmonton, Red Deer, Fort Saskatchewan, Calgary and Las Vegas, Nevada.

Construction is proceeding on a 347 stall mobile home park in Red Deer with a planned completion date of August 1978. During 1977 Chateau Towers in Regina, an office complex in which Allarco has a 50% interest, was completed. Construction commenced on the new shopping centre in Fort McMurray. Phase II of the Yorkton Mall was completed in September 1977. The latter property is owned in a subsidiary company.

It is the Company's intention to actively continue the development or acquisition of income producing real estate.

NORTH WEST TRUST COMPANY

Net operating profit rose to \$1,905,000 or \$3.70 per share compared to \$1,316,000 or \$2.55 per share for 1976. Customers' deposits increased by over \$32 million and mortgage placements by approximately \$30 million. Total assets now exceed \$276 million. The company continued acquiring and developing revenue properties. Plans were completed to open three additional branches in Yorkton, Regina and Red Deer.

SEABOARD LIFE INSURANCE COMPANY

Total assets of Seaboard Life Insurance Company now exceed \$24 million, a 24% improvement over 1976. The income of the Company in 1977 after deducting reinsurance premiums increased by 22% to \$11,362,000. Net earnings were below those of 1976 due to the provision made for a substantial income tax liability. During 1977 the Company used up the balance of what amounted to a loss carried forward for income tax purposes so that earnings in future years will be subject to normal corporate income tax rates.

ALBERTA GAS CHEMICALS LTD. (A joint venture with Alberta Gas Trunk Line Company Limited)

Almost full operating capacity was achieved in the last half of 1977, resulting in an excellent net profit improvement. Late in the fourth quarter of 1977 the malic acid plant in Duluth, Minnesota came on stream and should contribute to profits in 1978. The insurance claim for the business interruption on Plant II has been reduced to \$1,600,000 and is expected to be finalized in 1978.

Alberta Gas Chemicals has a permit from the Alberta Energy Conservation Board to increase capacity by two 600 ton per day units and in order to comply with the conditions of the permit one of these plants must commence construction by September of 1978.

EDMONTON VIDEO LTD. (Television Station CITV)

Television station CITV again showed improved results over the

preceding year with revenues increasing from \$6.5 million to \$9.2 million. During 1977 North West Video (a division of Allarco) completed the second group of twelve "In Concert" series for worldwide syndication and viewing. In 1978 the activities of North West Video will be assumed by CITV. That will see all television production done by Edmonton Video Ltd. directly. It is expected that Edmonton Video Ltd. will continue to contribute to Allarco's future earnings.

RESTAURANTS AND HOTEL

Although revenues increased from \$11.7 million to \$12 million divisional net profit dropped due in part to a major renovation program in several restaurants together with a lower level of activity in the Lucifer's operations in both Edmonton and Calgary. It is expected that this division will show improved results in 1978.

AUTOMOTIVE DIVISION

Sales in this division increased 20% to \$36,126,000 and resulted in a modest reduction in the divisional net loss. 1977 can be best described as a year of consolidation as several unprofitable divisions were suspended and management worked aggressively at reducing inventories. It is expected that 1978 will show a further improvement.

INTERNATIONAL JET AIR LTD.

During the year the final Electra aircraft was sold leaving only one aircraft, a corporate jet, in operation. Revenues were down as expected while the loss was also reduced. It is expected that activity in this division will be at a level that may prove modestly profitable in 1978.

REDDEN CONSTRUCTION LTD.

Revenues for this company were down from \$14.4 million to \$10.8 million which resulted in lower divisional profits. At this time there is a good volume of construction contracts in progress to carry into 1978. There is every reason to expect that this division will continue to operate satisfactorily through 1978.

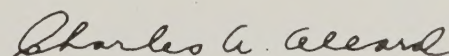
METROPOLITAN PRINTING

Operations for this division were disappointing as sales increased but the division showed a small divisional loss for the year. Some major repair and rebuilding was carried out on equipment during the year. It is expected that the operations will become profitable again in 1978 because of further increased volumes.

TRAVELMASTERS LTD.

Allarco has acquired a 60% interest in this travel agency with a view to expanding North West Travel which will operate in conjunction with North West Trust branches to extend the services offered by North West Trust. The first year of operation resulted in a loss due to expansion of outlets which may continue until expansion plans are complete.

On behalf of the shareholders, directors and officers I would like to express our thanks to all of the employees of Allarco and its affiliated companies for their loyal efforts and dedication.



Dr. Charles A. Allard

President

April 28, 1978



140 room hotel in Ft.
McMurray, Alberta.



Ribbon cutting ceremony at
North West Trust branch
opening in Victoria, B.C.



Tanker loading methanol for world export.

Canada's No. 1 Chrysler dealer



Pat Boone and Family 'In Concert' for C.I.T.V. television series.



consolidated balance sheet

ALLARCO DEVELOPMENTS LTD. AND SUBSIDIARIES December 31, 1977

ASSETS

	<u>1977</u>	<u>1976</u>
Cash	\$ 2,072,569	979,308
Accounts receivable	5,845,345	6,870,505
Inventories, at lower of cost or net realizable value	11,187,951	11,978,616
Prepaid expenses	3,257,441	2,338,330
Loans and agreements receivable (note 2)	18,641,970	10,167,525
Land for development, at cost (note 3)	11,920,773	11,416,781
Natural resources, at cost	103,500	110,036
Investments (note 4)	29,532,447	22,696,152
Fixed assets - at cost less depreciation (note 5)	50,819,508	42,206,572
Goodwill and deferred expenses (note 6)	890,508	946,932

See accompanying notes.

On behalf of the board:

Charles A. Allen Director

J. H. Otterson Director

<u>\$134,272,012</u>	<u>109,710,757</u>
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LIABILITIES

	1977	1976
Bank advances, secured (note 7)	\$ 23,111,110	19,390,772
Accounts payable, secured	6,655,158	6,270,900
Other accounts payable and accrued liabilities	10,121,620	10,089,606
Income taxes payable	86,463	3,000
7% Convertible debentures (note 8)	—	4,461,000
Mortgages and other secured obligations (note 9)	39,546,757	32,669,995
	79,521,108	72,885,273
Minority interest in subsidiaries	160,110	191,242
Provision for future income taxes (note 10)	8,577,486	6,569,418
Deferred revenue (note 11)	12,694,929	7,660,088
Shareholders' equity:		
Capital stock (note 12):		
Issued and fully paid	7,815,433	4,011,608
Retained earnings	25,502,946	18,393,128
	33,318,379	22,404,736
	\$134,272,012	109,710,757

auditors' report to the shareholders

We have examined the consolidated balance sheet of Allarco Developments Ltd. and subsidiaries as at December 31, 1977, and the consolidated statements of operations and retained earnings, and changes in financial position for the year then ended. Our examination of the financial statements of Allarco Developments Ltd. and those subsidiaries of which we are the auditors, was made in accordance with generally accepted auditing standards, and accordingly included such tests and other

procedures as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of North West Trust Company and Redden Construction Ltd.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of the company and subsidiaries as at December 31, 1977 and the results of their operations and the changes in their financial position for the year then ended in

accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Edmonton, Canada
March 10, 1978

consolidated statement of changes in financial position

ALLARCO DEVELOPMENTS LTD. AND SUBSIDIARIES For the year ended December 31, 1977

SOURCE OF CASH:

	1977	1976
Net Profit	\$7,109,818	4,955,992
Add (deduct) items not requiring a cash outlay:		
Depreciation and amortization	2,021,387	1,921,715
Income taxes deferred	2,088,232	1,299,849
Minority interest	(26,660)	51,073
Equity in earnings of unconsolidated subsidiaries	(4,396,490)	(2,589,309)
Gain on disposal of fixed assets and investments	(21,203)	(819,645)
Cost of land sold	1,302,464	675,025
Deferred revenue	811,848	190,898
Other	185,677	211,200
	<u>9,075,073</u>	<u>5,896,798</u>
Disposal of fixed assets	1,007,449	6,670,606
Issue of mortgages and notes payable	11,021,319	4,620,944
Increases in bank advances	3,720,338	4,304,576
Increase in accounts payable	412,037	1,131,602
Decrease of other assets	22,296	83,596
Issue of capital stock	118,825	31,250
	<u>25,377,337</u>	<u>22,739,372</u>

APPLICATION OF CASH:

Payments on mortgages and notes payable	4,144,557	9,352,506
Investments in and advances to affiliates	2,475,110	3,934,059
Additions to fixed assets	11,543,646	3,852,526
Land purchased and expenses capitalized	2,687,762	2,619,804
Increase in loans, agreements and accounts receivable	2,528,555	1,658,614
Increase in inventories and prepaids	128,446	508,265
Debentures redeemed	776,000	24,000
	<u>24,284,076</u>	<u>21,949,774</u>
Increase in cash	<u>\$1,093,261</u>	<u>789,598</u>

See accompanying notes.

consolidated statement of operations and retained earnings

ALLARCO DEVELOPMENTS LTD. AND SUBSIDIARIES For the year ended December 31, 1977

	1977	1976
Sales and revenues (note 14)	\$ 83,997,746	77,357,339
Cost of sales and operating expenses	<u>77,150,680</u>	<u>72,301,142</u>
Divisional profits (note 14)	6,847,066	5,056,197
Head office expense	670,425	556,409
Debenture interest	178,428	313,259
	<u>848,853</u>	<u>869,668</u>
Net profit before the undernoted	5,998,213	4,186,529
Depreciation and amortization	1,244,516	1,288,569
Income taxes — deferred	2,088,232	1,299,849
Minority interest	<u>(26,660)</u>	<u>51,073</u>
	<u>3,306,088</u>	<u>2,639,491</u>
	2,692,125	1,547,038
Equity in earnings of unconsolidated subsidiaries (note 4)	<u>4,396,490</u>	<u>2,589,309</u>
Operating profits	<u>7,088,615</u>	<u>4,136,347</u>
Gain on disposal of fixed assets and investments (including provision for income taxes \$3,062: 1976 - \$211,973)	<u>21,203</u>	<u>819,645</u>
Net profit for the year	<u>7,109,818</u>	<u>4,955,992</u>
Retained earnings, beginning of year	<u>18,393,128</u>	<u>13,437,136</u>
Retained earnings, end of year	\$ 25,502,946	18,393,128
Operating profit per share - basic	\$4.61	\$2.99
Net profit per share - basic	<u>\$4.62</u>	<u>\$3.58</u>
- fully diluted	\$4.62	\$3.03

See accompanying notes.

notes to consolidated financial statements

ALLARCO DEVELOPMENTS LTD. AND SUBSIDIARIES For the year ended December 31, 1977

1. SIGNIFICANT ACCOUNTING POLICIES:

- (a) The consolidated financial statements include the accounts of all subsidiary companies except those of Allarco Financial Corporation Ltd. which because of the fiduciary nature of the asset has been included using the equity method of accounting. Certain affiliated companies have been included using the equity method of accounting. All significant intercompany transactions have been eliminated.
- (b) Land for development is stated at original purchase price plus carrying charges, which include interest and real estate taxes pertaining to specific properties. Gains or losses are generally recorded in the accounts in the year of disposal, except for those cases when a significant portion of the proceeds has not been received. Under such circumstances, a reasonable portion of the gain is deferred and recorded as income when the proceeds are received.
- (c) The companies' depreciation policy is:
Buildings — 5% - 50 year sinking fund method
Automotive equipment — 20% to 30% straight-line method
Aircraft — 8½ % straight-line method
Office, television and shop equipment — 7½ % straight-line method.
Depreciation on the automotive division leasing fleet is included in cost of sales and operating expenses.
- (d) Goodwill is being amortized at the rate of 5% of cost per annum on a straight-line basis.
- (e) The companies follow the tax allocation method of providing for income taxes. Under this method timing differences between reported and taxable income (which occur when revenues and expenses recognized in the accounts in one year are taxed or claimed for tax purposes in another year) result in deferred taxes. In the case of three subsidiaries, future tax recoveries have been recognized in the accounts in loss years because, in the opinion of management, it is virtually certain that future earnings will be sufficient to realize them.

2. LOANS AND AGREEMENTS RECEIVABLE:

Included in loans and agreements receivable are two non-interest bearing notes from directors and officers for \$91,870 due in 1978 which represents the amount due in payment of 15,000 common shares acquired in 1977 from the treasury of the company.

Principal payments due in the next five years are:

1978 - \$5,263,623	1979 - \$1,854,265	1980 - \$1,856,335
1981 - \$1,829,065	1982 - \$1,830,814	

3. LAND FOR DEVELOPMENT:

	1977	1976
Opening balance	\$11,416,781	9,404,073
Acquisitions	2,307,782	1,992,644
Transfer from fixed assets	149,591	—
Carrying costs and local improvements	665,343	912,522
	14,539,497	12,309,239
Less: Cost of land		
- sold for cash	1,302,465	675,025
- sold on installments	983,099	217,433
- transferred to fixed assets	333,160	—
	\$11,920,773	11,416,781

4. INVESTMENTS:

	1977	1976
Shares, on equity basis:		
Unconsolidated subsidiary:		
Allarco Financial Corporation Ltd.	\$10,376,982	6,498,982
Affiliated companies:		
Alberta Gas Chemicals Ltd.	4,377,630	2,524,017
Travelers Acceptance Corporation Ltd. (Alberta)	219,640	154,763
Joint ventures, at cost	591,150	273,612
Other, at cost	154,554	57,656
	15,719,956	9,509,030
Advances:		
Unconsolidated subsidiary	—	1,066,931
Affiliated companies	3,916,986	3,050,317
Joint ventures	9,895,505	9,069,874
	13,812,491	13,187,122
	\$29,532,447	22,696,152

The principal assets of Allarco Financial Corporation Ltd. at December 31, 1977 are:

	Number of Shares	Percentage of Ownership
North West Trust Company:		
Common shares	283,942	92.2%
First preferred participating shares	50,075	24.2%
(combined share of equity in earnings is 64.9%)		
Seaboard Life Insurance Company:		
Common shares	354,496	65.7%
People's Management Ltd.:		
Common shares	1,000	100.0%

notes to consolidated financial statements cont'd.

The company controls 500,000 common shares of Alberta Gas Chemicals Ltd. representing 50% ownership but has taken up only 40% of the current earnings which makes provision for the future transfer to a founding director of 10% of the outstanding shares of Alberta Gas Chemicals Ltd. The company owns 100,000 common shares of Travelers Acceptance Corporation Ltd. (Alberta) representing 50% ownership. The equity in earnings of the unconsolidated subsidiary and the affiliated companies is:

	1977	1976
Allarco Financial Corporation Ltd.	\$2,478,000	1,928,626
Alberta Gas Chemicals Ltd.	1,853,613	630,686
Travelers Acceptance Corporation Ltd. (Alberta)	64,877	29,997
	<u>\$4,396,490</u>	<u>2,589,309</u>

5. FIXED ASSETS:

Property, plant and equipment at cost less accumulated depreciation:

	1977	1976
Automotive	\$ 6,360,684	5,872,492
Hotel and restaurants	5,937,944	5,966,388
Real estate	27,728,052	19,311,109
Aviation	2,433,264	2,815,018
Television	5,995,833	6,025,770
Other	2,363,731	2,215,795
	<u>\$50,819,508</u>	<u>42,206,572</u>

Accumulated depreciation totalled \$7,519,263 at December 31, 1977; \$6,431,036 at December 31, 1976.

Three buildings with a total cost of \$4,446,770 are located on land held under long-term leases, each of which has an unexpired term of at least 42 years. The lease obligations on these properties for each of the next five years amount to approximately \$83,000.

6. GOODWILL AND DEFERRED EXPENSES, AT COST LESS AMORTIZATION:

	1977	1976
Goodwill on acquisition of subsidiaries	\$678,274	718,938
Deferred expenses	212,234	227,994
	<u>\$890,508</u>	<u>946,932</u>

During the year ended December 31, 1977 goodwill of \$40,664 (1976 - \$35,350) was amortized and included in depreciation and amortization.

7. BANK ADVANCES:

Bank advances are secured by a general assignment of book debts, and a fixed and floating charge debenture payable on demand.

8. 7% CONVERTIBLE DEBENTURES

These debentures were called for redemption or conversion on November 15, 1977, which resulted in \$3,685,000 being converted to common shares of the company at the specified rate of 65 shares for each \$1,000 debenture. The balance of the debentures were redeemed for cash.

9. MORTGAGES AND OTHER SECURED OBLIGATIONS:

Mortgages and other secured obligations, which includes secured amounts owing to the unconsolidated subsidiary of \$467,906 (1976 - \$581,221) carry an average interest of 8.91% and mature between 1978 and 2002. Principal payments due in the next five years are:

1978 - \$6,810,500	1979 - \$4,162,200	1980 - \$3,780,808
1981 - \$2,581,400	1982 - \$2,567,000	

10. INCOME TAXES:

The company has been reassessed in the amount of \$2,297,000 in connection with prior years' income tax returns, principally with respect to gains arising from the disposition of certain investment properties. The company intends to resist these assessments. Based upon the facts known to the company and its legal counsel, it is the opinion of counsel that the company has a reasonable likelihood of succeeding against these reassessments.

11. DEFERRED REVENUE:

Deferred revenue principally consists of \$11,826,894 which arose from sales of land whereby title to the land will be transferred and related revenue recognized pro rata as payments are received. The maximum period over which payments will be received is ten years, but this may be accelerated at the buyer's option.

12. CAPITAL STOCK:

The authorized capital is 3,500,000 common shares without nominal or par value issuable for a maximum consideration not to exceed \$10,000,000. The issued and fully paid common shares are as follows:

	1977		1976	
	No. of Shares	Value Received	No. of Shares	Value Received
Opening balance	1,386,553	\$4,011,608	1,380,988	\$3,980,358
Shares issued:				
— for cash	19,900	118,825	5,500	30,250
— by conversion of debentures (note 8)	239,525	3,685,000	65	1,000
	<u>1,645,978</u>	<u>\$7,815,433</u>	<u>1,386,553</u>	<u>\$4,011,608</u>

notes to consolidated financial statements cont'd.

13. REMUNERATION TO DIRECTORS AND SENIOR OFFICERS:

	1977	1976
Paid by Allarco		
Developments Ltd.	\$193,272	236,960
Paid by subsidiary	164,424	135,000
	<u>\$357,696</u>	<u>371,960</u>

14. SALES AND DIVISIONAL PROFITS (in Thousands of Dollars):

	1977		1976	
	Sales	Divisional Profit	Sales	Divisional Profit
Automotive	\$36,126	\$ (378)	30,458	(470)
Restaurants	12,045	1,101	11,672	1,650
Real Estate	9,212	4,148	7,937	3,115
Television	9,209	945	7,199	(105)
Construction	10,823	227	14,396	447
Other	6,583	803	5,695	419
	<u>\$83,998</u>	<u>\$6,846</u>	<u>77,357</u>	<u>5,056</u>

Interest on long-term debt included in cost of sales in the statement of operations amounted to \$5,025,810 (1976 - \$5,214,987). The automotive divisional profit for 1976 has been restated to conform with the presentation for 1977.

15. COMMITMENTS AND CONTINGENCIES:

At December 31, 1977, the company is contingently liable as an endorser of customers' secured notes arising from retail sales in the automotive division for the amount of \$868,000 and as a guarantor of loans and a mortgage payable of \$2,930,000. The company and other shareholder of Alberta Gas Chemicals Ltd. have jointly and severally guaranteed \$10,680,000 of that company's borrowings.

The company has entered into five joint venture agreements to develop land and is contingently liable on mortgages for a total of \$7,869,592 over a period of years. Any payments which might be necessary would improve the company's secured position in regard to the land and buildings. There is an unfunded liability of approximately \$207,000 relating to past service pension benefits, and this amount is being paid, and charged to earnings, at an annual rate of \$26,000 over the next 13 years.

16. ANTI-INFLATION:

The company and its subsidiaries are subject to the federal Anti-Inflation Act and Regulations, and in certain cases to provincial rent control regulations. As a result, the companies' ability to increase prices, profit margins and compensation, and to pay dividends is restricted.

Allarco Developments Ltd.

DIRECTORS

Dr. Charles A. Allard - M.D.
F.R.C.S. (C)
J. Cameron Allard
Morris Klimove
J. J. LoPorto
J. R. Otteson, C.A.

EXECUTIVE OFFICERS

Charles A. Allard - President &
Chairman of the Board

J. Cameron Allard - Executive
Vice-President

Morris Klimove - Vice-President
- Restaurants

Arthur R. Smith - Vice-President
- Corporate Affairs

J. R. Otteson - Vice-President
- Finance

J. A. Naqvi - Vice-President
- Developments

G. A. Levang, C.A. - Comptroller

C. R. Allard, B.Sc., L.L.B. - Secretary

AUDITORS

Peat, Marwick, Mitchell & Co.

STOCK EXCHANGE LISTINGS

Toronto Stock Exchange

REGISTRARS

AND TRANSFER AGENTS

North West Trust Company
Montreal Trust Company

EXECUTIVE OFFICES

11456 Jasper Avenue
Edmonton, Alberta
Canada T5K 0M1

